

State Notes

TOPICS OF LEGISLATIVE INTEREST

Spring 2018



A Funding History of Fire Protection Grants By Josh Sefton, Fiscal Analyst

Since 1978, local units of government in Michigan have received State funds to cover the costs related to providing firefighting services to State-owned buildings located within their boundaries. In fiscal year 2017-18, a total of 58 local units are eligible for grants ranging from \$1,146 to approximately \$4.8 million (or prorated grants of \$516 to approximately \$2.2 million). Funding these grants has been an issue for the Legislature for much of that time, as the statute creating the grants did not specify a funding mechanism. This article will provide a brief history of funding for fire protection grants.

Fire Protection Grant Funding Formula

Public Act 289 of 1977, which took effect on March 30, 1978, established the fire protection grant requirements. The Act contains a formula that considers the fire protection expenditures of each municipality (reported to the Department of Licensing and Regulatory Affairs on an annual basis), the total State equalized valuation (SEV) of each municipality, and the SEV of each State-owned building in each municipality. Those figures are used to calculate the total amount of fire protection expenditures for each municipality that are attributable to State buildings. For example, if a city spent \$2.0 million on fire protection, had a total SEV (including State buildings) of \$1.0 billion, and State buildings with an SEV of \$10.0 million, the city's fire protection grant payment would be \$20,000 (\$10.0 million divided by \$1.0 billion times \$2.0 million equals \$20,000). The statute requires the payments to be prorated in the event that the amount appropriated for fire protection grants does not fully fund the amount due according to the formula. In the case of the hypothetical city, if that city were due \$20,000 in fiscal year (FY) 2017-18, it would receive an actual payment of \$9,020, as the proration factor for FY 2017-18 is 0.451, or 45.1% of the total formula amount. [Table 1](#) provides a history of the funding level for fire protection grants as well as the total amount owed according to the statutory formula from FY 2004-05 to the present.

Table 1

Fire Protection Grant Appropriations vs. Formula					
Fiscal Year	Ongoing Appropriation	One-Time Appropriation	Total Appropriation	Formula Amount	Percent of Formula Funded
2004-05	\$10,910,500	\$0	\$10,910,500	\$16,275,672	67.0%
2005-06	7,210,500	0	7,210,500	16,283,549	44.3%
2006-07	10,910,500	0	10,910,500	16,030,367	68.1%
2007-08	10,910,500	0	10,910,500	16,072,369	67.9%
2008-09	10,910,500	0	10,910,500	16,426,935	66.4%
2009-10	10,910,500	0	10,910,500	18,300,831	59.6%
2010-11	10,910,500	0	10,910,500	19,710,270	55.4%
2011-12	9,273,900	0	9,273,900	21,026,731	44.1%
2012-13	12,628,400	0	12,628,400	22,840,188	55.3%
2013-14	9,273,900	0	9,273,900	22,470,187	41.3%
2014-15	9,273,900	0	9,273,900	22,589,415	41.1%
2015-16	9,273,900	0	9,273,900	22,639,950	41.0%
2016-17	9,273,900	3,400,000	12,673,900	22,598,122	56.1%
2017-18	\$9,273,900	\$1,400,000	\$10,673,900	\$23,679,408	45.1%

Source: Michigan Department of Licensing and Regulatory Affairs and annual appropriation bills.

Fund Sources for Fire Protection Grants

During the time period surveyed for this article, the State has funded fire protection grants primarily using the statutory allocation of \$8.5 million in driver responsibility fees (DRFs), with the balance coming from either the Liquor Purchase Revolving Fund (LPRF) or from State General Fund/General Purpose (GF/GP) revenue. In FY 2012-13, the statute creating driver responsibility fees was amended to ensure that fire protection grants would continue to receive \$8.5 million each year, as several of



the driver responsibility fees were eliminated. That change resulted in additional DRF revenue being credited to the Fire Protection Fund for that year only, and the Legislature subsequently appropriated that increase to the grants that year. In FY 2015-16, Liquor Purchase Revolving Fund revenue was supplanted by GF/GP revenue. That change was made to allow the Conference Committee to reduce GF/GP spending elsewhere in the Department of Licensing and Regulatory Affairs (LARA) budget, but to remain within its leadership target. The use of GF/GP dollars instead of the LPRF for the grants has since remained. For FY 2018-19, the Governor has recommended removal of fire protection grants from the LARA budget, as DRFs have been eliminated by recently enacted legislation. (Since 2004, DRFs were assessed for various driving violations. As of October 1, 2018, DRFs will no longer be imposed or collected.)

Under the Governor's proposal, fire protection grants would be funded statutorily at a level of \$15.0 million each year using revenue allocated to the Local Community Stabilization Authority (LCSA) for personal property tax reimbursements designed to reimburse local units of government for revenue lost as a result of various exemptions enacted in 2014.

Using LCSA revenue to fund fire protection grants would require a statutory amendment and would effectively take fire protection grants off-budget. The House and Senate versions of the FY 2018-19 LARA budget thus far in the process have largely followed suit, with the House removing all funding for the grants and the Senate retaining a \$100 placeholder for them. Table 2, below, provides the fund sources for fire protection grants from FY 2004-05 to the present.

Table 2

Fire Protection Grant Fund Sources				
Fiscal Year	Fire Protection Fund (Driver Responsibility Fees)	Liquor Purchase Revolving Fund	GF/GP	Total Appropriation
2004-05	\$3,500,000	\$3,710,500	\$3,700,000	\$10,910,500
2005-06	3,500,000	3,710,500	0	7,210,500
2006-07	4,500,000	3,710,500	2,700,000	10,910,500
2007-08	8,500,000	2,410,500	0	10,910,500
2008-09	8,500,000	2,410,500	0	10,910,500
2009-10	8,500,000	2,410,500	0	10,910,500
2010-11	8,500,000	2,410,500	0	10,910,500
2011-12	8,500,000	773,900	0	9,273,900
2012-13	11,854,500	773,900	0	12,628,400
2013-14	8,500,000	773,900	0	9,273,900
2014-15	8,500,000	773,900	0	9,273,900
2015-16	8,500,000	0	773,900	9,273,900
2016-17	8,500,000	0	4,173,900	12,673,900
2017-18	8,500,000	0	2,173,900	10,673,900
2018-19 (proposed)	\$0	\$0	\$0	\$0 ¹

¹The Governor's Recommendation for the FY 2018-19 budget assumes a statutory change that would allocate \$15.0 million from personal property tax reimbursements to fire protection grants.

Source: Annual appropriation bills.

How Much Local Units Receive

The larger recipients of fire protection grants are typically home to a State university, certain community colleges, a prison, or numerous State offices. Additionally, those recipients tend to have a high ratio of State building SEV to total SEV, and, perhaps most significantly, relatively high local expenditures for fire protection.

Table 3, below, provides the formula amount for each eligible municipality in FY 2017-18, compares that to the grant amount for each municipality in FY 2017-18, and provides an estimate of what each would receive in FY 2018-19 if the Governor's proposal to dedicate \$15.0 million of personal property tax

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Spring 2018



reimbursements to fire protection grants were enacted. The estimate for FY 2018-19 assumes that the SEV and fire protection expenditure figures for FY 2018-19 would remain the same as in FY 2017-18, so the actual value for FY 2018-19 would vary slightly.

Table 3

FY 2017-18 and Estimated FY 2018-19 Fire Protection Grant Payments				
Location	County	FY 2017-18 Formula Payment	FY 2017-18 Payment (Est.)	FY 2018-19 Payment (Est.)
Detroit	Wayne	\$4,836,260	\$2,180,027	\$3,063,586
Kalamazoo	Kalamazoo	3,104,426	1,399,374	1,966,535
East Lansing	Ingham/Clinton	2,962,496	1,335,396	1,876,628
Lansing	Ingham/Eaton/Clinton	2,900,021	1,307,234	1,837,053
Ann Arbor	Washtenaw	2,133,068	961,517	1,351,217
Flint	Genesee	1,183,771	533,605	749,874
Ionia	Ionia	898,120	404,843	568,925
Ypsilanti	Washtenaw	896,634	404,173	567,983
Blackman Twp.	Jackson	637,465	287,348	403,810
Mt. Pleasant	Isabella	626,727	282,508	397,007
Grand Rapids	Kent	538,627	242,795	341,199
Big Rapids	Mecosta	471,113	212,362	298,432
Dearborn	Wayne	390,036	175,815	247,073
Marquette	Marquette	376,034	169,504	238,203
Sault Ste. Marie	Chippewa	271,601	122,429	172,049
Auburn Hills	Oakland	179,568	80,943	113,750
Muskegon	Muskegon	164,924	74,342	104,473
Saginaw	Saginaw	114,228	51,490	72,359
Ann Arbor Twp.	Washtenaw	101,601	45,798	64,360
Allendale Twp.	Ottawa	95,222	42,923	60,320
Kochville Twp.	Saginaw	88,210	39,762	55,878
Meridian Twp.	Ingham	78,911	35,570	49,987
Madison Twp.	Lenawee	57,449	25,896	36,392
Port Huron	St. Clair	52,383	23,612	33,183
Lapeer	Lapeer	51,627	23,272	32,704
Windsor Twp.	Eaton	46,799	21,095	29,645
Houghton	Houghton	38,373	17,297	24,308
Pittsfield Twp.	Washtenaw	36,264	16,347	22,972
Alpena	Alpena	31,497	14,198	19,952
Kinross Twp.	Chippewa	31,457	14,180	19,927
Benton Twp.	Berrien	30,859	13,910	19,548
Escanaba	Delta	27,028	12,184	17,121
Baraga	Baraga	23,351	10,526	14,792
Frankenlust Twp.	Bay	21,262	9,584	13,469
Coldwater Twp.	Branch	20,394	9,193	12,919
Green Oak Twp.	Livingston	18,565	8,368	11,760



Table 3

FY 2017-18 and Estimated FY 2018-19 Fire Protection Grant Payments				
Location	County	FY 2017-18 Formula Payment	FY 2017-18 Payment (Est.)	FY 2018-19 Payment (Est.)
Iron Mountain	Dickinson	16,125	7,269	10,215
St. Louis	Gratiot	13,802	6,221	8,743
Monroe Twp.	Monroe	13,333	6,010	8,446
Union Twp.	Isabella	12,071	5,441	7,647
Lenox Twp.	Macomb	11,812	5,324	7,482
York Twp.	Washtenaw	9,762	4,400	6,184
Tittabawassee Twp.	Saginaw	8,527	3,844	5,402
Manistee Twp.	Manistee	6,756	3,045	4,280
Standish	Arenac	6,388	2,879	4,046
Indianfields Twp.	Tuscola	5,805	2,617	3,677
Lyndon Twp.	Washtenaw	5,392	2,431	3,416
Munising Twp.	Alger	4,536	2,045	2,873
Pentland Twp.	Luce	4,126	1,860	2,614
Franklin Twp.	Houghton	3,786	1,707	2,398
Bloomer Twp.	Montcalm	3,333	1,502	2,111
Fife Lake Twp.	Gr. Traverse	3,202	1,443	2,028
Ross Twp.	Kalamazoo	2,863	1,291	1,814
Bethany Twp.	Gratiot	2,778	1,252	1,760
Unadilla Twp.	Livingston	2,674	1,205	1,694
Prairieville Twp.	Barry	2,546	1,147	1,613
Marenisco Twp.	Gogebic	2,275	1,025	1,441
L'Anse Twp.	Baraga	\$1,146	\$516	\$726
TOTAL		\$23,679,407	\$10,673,900	\$15,000,000

Source: Michigan Department of Licensing and Regulatory Affairs and Senate Fiscal Agency.

Conclusion

For more than 40 years, the State has allocated funds to local units of government for fire protection services provided to State-owned facilities, though for much of that time the appropriation for fire protection grants has been significantly less than the full amount prescribed by statute. Since the early 2000s, revenue from driver responsibility fees was used to fund a significant portion of these grants, with the balance coming from either the State General Fund or the Liquor Purchase Revolving Fund. Because DRFs have been eliminated, the Legislature will have to find a new fund source for the grants if they are to continue. The Governor has proposed a solution to this problem: amend the Local Community Stabilization Authority Act to earmark \$15.0 million in personal property tax reimbursements for fire protection grants. The Legislature must now decide whether to pursue the Governor's plan, or find an alternative funding mechanism if it wishes to continue to fund these grants.